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Charles Miller [00:00:08] Welcome to a special edition of CoinGeek Conversations. Today we'll be talking about the role of venture capital in Bitcoin SV startups. My guest is a New Yorker who runs a venture capital fund and he's also a serious poker player and a jazz pianist. So please take it away. Jackson Laskey.

Voiceover [00:00:54] You're listening to CoinGeek conversations with Charles Miller.

Charles Miller [00:01:01] Fantastic.

Jackson Laskey [00:01:03] Thanks for putting me on a beautiful instrument.

Charles Miller [00:01:06] There'll be more from Jackson later on on the piano, if you prefer music to talking about Bitcoin SV, but for the moment we're gonna be talking about his venture capital and hedge fund Unbounded Capital. So, well, first of all, what is a venture capital and hedge fund?

Jackson Laskey [00:01:22] Right. So we think that this space demands more flexibility. Some of the traditional venture fund structures, we think both aren't ideal for investing in the Bitcoin SV ecosystem. And also we think that they're not ideal in general because, well, you see in the venture fund, some people don't realize this, if I raise a hundred million dollar venture fund, that's not a hundred million dollars that are in our fund's bank account. When we make investments, we call upon our investors to send the money at that time. And the problem is that what's happened typically is that funds will look to deploy that money quickly and fully because that's what they're incentivized to do so that they can go on to raise their next fund. We are an evergreen fund. And because we're a venture hedge fund, when we raise money, we have money in our bank now and we try and deploy it to the best of our ability. And that means that we're not pressured or incentivized to try and deploy as much as possible into businesses we've selected in the early stages. If a business is very successful after one or two rounds of financing, that's perfect for us. We're happy not setting aside a large portion of our fund for future rounds of financing if that's not needed, because we always have something to do with our capital in this space.

Charles Miller [00:02:55] And that's what hedge fund's for?

Jackson Laskey [00:02:56] Right. And so when we formed, we thought that there was a chance that we would have a position in multiple cryptocurrencies and derivatives around those. We've transitioned to a point where we think that Bitcoin SV is the only viable currency and also that we think it's a space that's incentivized to have one winner because the efficiency comes from having put everybody on the same network. And so at this point, the hedge side of our business is more focused around capitalizing on what we think will be a sort of extreme transition in terms of the valuations between the various cryptocurrencies as they are now.

Charles Miller [00:03:41] But on the hedge fund side if you're exclusively in Bitcoin SV, and you think it's going to be doing well, does that just amount to buying BSV and waiting for it to increase in value?

Jackson Laskey [00:03:56] There is some of that, but we have custom derivatives set up to do that in a more both opportunistic but also risk-adjusted way. You could imagine things like swaps, we benefit on BSV upside relative to the rest of the crypto industry and we're hedged against overall market downturns. Anyone who's been following the crypto space knows that overall market downturns are something that are worth hedging against. So we try and be creative and also prudent with the options that are available to us. But certainly the core of the hedge side of our strategy is BSV will appreciate relative to the rest of crypto and to the broader economy. And so that's that's our core thesis.

Charles Miller [00:04:48] But it's a very strange volatility that we're seeing at the moment isn't it? I mean, one day Bitcoin SV practically doubled in price. And I just looked at it yesterday and it lost 13 percent or something in one day. So, I mean, it's not really a normal market at all, is it?

Jackson Laskey [00:05:05] No.

Charles Miller [00:05:07] Do you understand what's going on behind those price changes?

Jackson Laskey [00:05:12] Well, patterns have emerged. There are a lot of theories as to why that might be. And most of those theories implicate specific individuals who I'm not going to implicate here on camera. But we've always been long term oriented. Most crypto funds, I think, that have been successful have been successful in one of two ways. They're very sort of short term chart oriented, which is if you can do that, well, power to you. But that's not really what interests us or what we think is best over a five or 10 year horizon. The other thing that's proven to be successful is dumping illegal securities on retail investors. And that's also that's something that we're very interested in doing so.

Charles Miller [00:05:59] So turning now to the business side of it, investing in startups as a venture capital fund. What opportunities do you see there? Because there has been discussion of how different Bitcoin SV businesses will be in the sense that perhaps they don't need a lot of money to get going in the same way that, say, an Internet business might have done.

Jackson Laskey [00:06:25] Yeah, well, first of all, I think there's a huge opportunity, although the bar is very high, because when you're comparing to the dollar, you're comparing against perhaps an overvalued asset that decreases in value most years. And in the world of Bitcoin SV, I think your benchmark is a very undervalued asset that is depreciated in nature, especially over time as the emission rate continues to fall. That all being said, I do think there's a really huge opportunity for businesses in this space and those businesses will need funding in some way, or at least many of them will. Some founders who've been very successful in this industry won't need funding to the same degree, at least. Now I think you're right, or the sentiment that the way that venture capital has done things may not work at this point is very valid.

Charles Miller [00:07:25] But isn't that a big problem for you?

Jackson Laskey [00:07:28] No, I don't think so. In part because we are making that concession, we understand that let's say the optimal firm size or the distribution of firm sizes and economies of scale will change. That's something that has already informed our investing thesis well before we realized that there was a strong anti-VC sentiment in the space and we're also set up in a very flexible manner such that we can participate in funding opportunities that a traditional VC fund might not be legally structured for. That's part of the advantage of being a hedge fund as well.

Charles Miller [00:08:16] For people who haven't been part of this debate, just tell me a little bit about this anti-VC. sentiment. What are the points made there?

Jackson Laskey [00:08:25] Sure, I think if I had a sort of give a core reason why there's an anti-VC sentiment it's because there's a feeling that Silicon Valley is not actually creating value and that what we have is - a Ponzi scheme is always a very loaded and brutal term - but for lack of a better one at this moment, I'll use it and say that there's somewhat of a Ponzi scheme that comes around, it's centered around these sort of larger VC funds and also retail investors, including people who are working at these companies, valuing the equity in these companies very highly, probably too highly relative to the actual profitability. And the profitability is key in terms of understanding value being generated. You can only anticipate future profitability. Well, we've become experts in forecasting future profitability, although it's unclear to what degree that's going to happen. Regardless, the problem is that the early stage VCs are more or less incentivized to put forward these metrics that aren't necessarily tied to value creation as a way of dumping the larger VCs who invest in the growth stage, retail investors and IPOs, and also people who are working at these companies expecting that their stock options are going to be valuable.

Charles Miller [00:10:00] So that is a critique of venture capital in tech businesses rather than in Bitcoin businesses particularly.

Jackson Laskey [00:10:09] Well, I see it as less of a critique of VC overall and more a critique of the dynamic that's emerged in Silicon Valley where stocks that are overvalued and therefore they incentivize sort of nefarious behavior from the sort of initial stage theses. I think in Bitcoin, the key is just we have to have a more realistic view about value creation. And that's something that individuals are going to have to take upon themselves. I think we see value creation differently than a lot of VC funds and certainly it's not that the retail consumer can't emerge in the Bitcoin SV ecosystem, such that the same kind of behavior is incentivized in the short term. So when we started out, we actually were playing at being an impact fund.

Charles Miller [00:11:15] What's that?

Jackson Laskey [00:11:15] Well, it's a little unclear what it is. I'll give you this definition, a fund that sort of invests with a conscience and doesn't invest in things that it sees as being sort of inherently immoral. Now, typically in practice, that looks like not investing in like oil and natural gas, tobacco, whatever. We have a different view of what impact really means. And therefore, we felt that label wasn't appropriate as the market was perceiving it. But I still think of us in that way. I think that really it's a question of your ethics as a business. And our ethics are such that we're not interested in dumping things that are not valuable on unsuspecting victims. And so I think that's the core of the problem in the Silicon Valley space. And that's not something that we're going to be part of just by virtue of our moral compass.

Charles Miller [00:12:21] One of the key ideas of traditional venture capital is that they're perfectly happy to invest in ten companies, knowing nine of them will not become profitable as long as the tenth one is sort of super-profitable. Is that something you wanted to avoid as well?

Jackson Laskey [00:12:41] Not necessarily. I'll put it like this. The idea of diversification I think is highly overrated and I think this is something that a lot of the best investors over the course of time have realized. Some people might question why are we a Bitcoin SV fund; why not be a crypto fund more broadly, and I would say when you know, you know, to a certain degree. And it's much less risky to pour capital into a great business than to try and pour capital into 10 good businesses, hoping one is a great business. Now, of course, the expected value of such a strategy could bear out, but we are more interested in trying to think deeply and choose winners than to just say, you know, we're interested in Bitcoin, in Bitcoin SV infrastructure and throw money at 20 different companies attacking the problem. We want to try and actually understand who the winners are going to be and pour capital into the companies we think are much, much more likely to succeed than their competitors.

Charles Miller [00:14:03] Right, so you're just going to be very choosy?

Jackson Laskey [00:14:05] We've been choosey to this point and I expect that will continue.

Charles Miller [00:14:10] One of the other ideas around the building of Bitcoin SV businesses is that they may not, as businesses accumulate value in the same way as, say, Internet businesses because they don't necessarily own the data. So a social media company like Twetch will have maybe millions of users, but they won't own the data that those users are generating. And therefore, in terms of market cap or even profits, it may not be comparable to what we expect from a social media business.

Jackson Laskey [00:14:49] Yeah, no, I think it's a good observation and I agree with it for the most part. I think we have a lot of companies that have become very successful as sort of a gateway to a specific set of data. And I think that model is more or less disappearing because the ability to compete offering the same set of data is much, much simpler. And so I think you're going to get many more small firms who are much more specialized in terms of offering that service rather than have these sort of super firms who are in command of these data silos. That being said, I do think there are other ways to create a large business and to create margin. I think nChain is sort signalling one approach that I think has a lot of merit.

Charles Miller [00:15:49] ...Which is to do with patenting?

Jackson Laskey [00:15:49] Yeah. Intellectual property. That's one way to create a moat around your business. It's a strategy that we've seen a lot of people employ. I also think there are still some businesses where you can generate extremely strong network effects. Now, I think part of the reason why the anti-VC sentiment exists is because there's a feeling that Bitcoin creates a more competitive landscape and that the idea that you can be at the top of your field for a decade or two decades is unrealistic. And I think there's a lot of validity to that. And so, like I said, if you are taking the traditional VC approach of 'we're going to have four or five rounds of financing over a five or six year period expecting to see profitability in years 9 or 10', that is an approach that's very risky in this space because we might be talking more about maybe a one decade or a five to 10 year lifespan of a business. That doesn't mean that venture capitalists doesn't have a role because venture capital is really just about risk mitigation for entrepreneurs who are taking extremely large bets in spaces that are perceived as very risky by the vast majority of investors.

Charles Miller [00:17:12] I mean, I guess it makes sense if you are confident that the whole BSV ecosystem is going to do well, even though its individual businesses may not become sort of giants in the same way that we've seen the Internet space, then your hedge fund side of things is capitalizing on the success of the ecosystem as a whole really isn't it?

Jackson Laskey [00:17:38] Yeah, I mean. I think, you know, what does a hedge fund look like today? For the most part, it's going long and short on businesses and the stock market or in commodities trying to hedge against overall market trends and pick winners. I think that can happen again on an even more micro scale. But looking more at information and what information is going to be valuable, what information is going to lose value in the short term? I think in a Bitcoin economy, you're going to have less overall market volatility such that being hedged is perhaps less important, but I still think being able to identify what onchain is going to be more valuable or less valuable over time is going to be a very constructive and important service to be offered. And I think hedge funds or something similar could fill that role at that time. It's something that we're interested in, although certainly we're not at a point yet where we can take on that kind of role. I still think we're years away from that. And in those years, the role of VC in the space is a large one.

Charles Miller [00:19:00] We're going to take a little intermission now because I'd like to have a little bit more of your piano playing, if we may. And so what was the piece that you played, that we recorded earlier that we can use now?

Jackson Laskey [00:19:14] Well, there's a lot of love songs in the jazz tradition. And, you know, I love Bitcoin SV, but I don't know if I love it like that. So the first song I played was a Charlie Parker song called Confirmation, chosen for obvious reasons. And now I'm going to play a song, Body and Soul. And I think it's appropriate because of what people in the space are giving to the vision of Bitcoin, their body and their soul.

Charles Miller [00:19:45] Great. Thank you very much. Body and Soul.

Charles Miller [00:22:30] Fantastic, Body and Soul. Thank you very much Jackson. How come you can play the piano as well as run a Bitcoin venture fund?

Jackson Laskey [00:22:41] Well, Jack Liu says that, you know, a Bitcoin entrepreneur can create 10 businesses in a week. If that's the case, then I suppose a Bitcoin VC should be able to play the piano and do some other impressive things hopefully.

Charles Miller [00:22:58] But did you ever think you were going to devote your life to piano playing or has it been a hobby that turned into professional work or what?

Jackson Laskey [00:23:07] Well, absolutely. I mean, I came from a very kind of - for lack of a better term - leftist worldview. I think it it was clear to me at one point that pursuing money was not a good thing to do and that being a musician was a good thing to do. Now, that doesn't have much to do with the fact that I wanted to become a jazz musician. I still want to be a jazz musician. I still am a jazz musician. But that view has changed. And now I see capitalism much more as a force for good in the world and the system of profit and loss as an indicator of are we using the scarce resources we've been given for better or for worse. And so I think there's a strong case for pursuing a career in your life that suggests that you're putting resources to the better rather than to the worse. And certainly being a jazz musician it's tough to make the case that you're putting resources together for the better because it's not something that pays very well. That being said, I do actually think that Bitcoin will play a role in better valuing the contributions of musicians. And so I see that as a big part of what I'm doing. Information, music, art, these things are all related and better valuing them I think will lead to a more productive system for creating information in the form of music. And so I hope to benefit from this technology as an artist as well as an investor.

Charles Miller [00:25:05] Because there are a few Bitcoin start ups already that are planning to allow you to earn some money from creative work.

Jackson Laskey [00:25:13] Yeah, absolutely.

Charles Miller [00:25:15] You'll be you'll be first in line! Now, the other thing that I learnt from your web site is how you have also been a professional poker player. I can't quite see how that fits into this kind of world view exactly. It's all about making money, isn't it?

Jackson Laskey [00:25:33] Yes. I didn't say the world view was without cognitive dissonance.

Charles Miller [00:25:40] How successful a professional poker player have you been?

Jackson Laskey [00:25:45] Well I've been successful enough to be a jazz musician living in New York, which is not an inexpensive city to live in.

Charles Miller [00:25:55] Do you play online or in person?

Jackson Laskey [00:25:57] I played online at one point but I prefer to play in person. I find it much more engaging. I also think that the players who play in person are much worse. And I think I'm better suited to try and optimize against an opponent making very large mistakes rather than trying to optimize against opponents who are making small mistakes but in a much higher frequency. In online poker you're playing far more hands. I have played on Calvin's site, Bovada. Thank you, Calvin.

Charles Miller [00:26:31] And how did you do there?

Jackson Laskey [00:26:33] I did well. I've done well through my career. Again, a Bitcoin entrepreneur can create 10 businesses. A Bitcoin VC should be able to make a little bit of money or a lot of money playing poker. So that's something that I also take pride in. I do think it's highly related. I have a friend, Aaron Brown, who's a sort of pioneering figure in quantitative investing and also a former professional poker player. And he makes the observation that poker provides a hands on experience with risk management that's very hard to simulate in a classroom setting. And studies of people who have been taught risk management in a classroom setting have corroborated that thesis. It's not always pretty the results that trained risk managers achieve in an experimental setting. It's, I think, a lesson that has to be sort of taught in a more experiential manner. And I think poker is a really great lens or a great mechanism for doing so just because of the pacing of things. The pacing is fast enough to teach good lessons where in the investing world, sometimes, you know, you can wait a decade for a bet to pan out. Yet it's slow enough that it forces one to be extremely diligent about being process-oriented and not results-oriented. And I think identifying results-orientedness in the crypto space was a big part of how we got to the point where we're at. It was very obvious to us as poker players that the strategies being employed couldn't be correct. And so without being able to identify that opportunity, I certainly wouldn't be here.

Charles Miller [00:28:31] Right. So, your poker playing lessons are paying dividends in terms of presumably the hedge fund as well?

Jackson Laskey [00:28:39] Yes. Although I think both the hedge fund and the venture fund deal with risk and deal with making bets with uncertainty and a limited information.

Charles Miller [00:28:51] I suppose also in terms of the venture fund, sitting down opposite somebody across the table, and they're trying to persuade you of what they are capable of or the skills they have, some of the across-the-table experiences playing poker might be relevant to that as well?

Jackson Laskey [00:29:11] Unfortunately, yes. You know, I actually believe that honesty is a very powerful and underrated thing. And so that's how I try and approach business, even if it can be off putting to people. That being said, certainly developing a good poker face has been a useful skill in dealing with entrepreneurs who - not so much in the Bitcoin SV space; I think there is a tendency towards honesty. People say Bitcoin SV is an intelligence test. I think that's true. But I also think it's a values test because you're not signing up for an easy way to make money. If you're signing up for honesty. You're setting up a competition, then that's a very high bar to have set for oneself to then go in and say, I want to also be an entrepreneur in that dynamic. And so it hasn't been a skill I've needed as much since being in Bitcoin SV. Certainly I'm glad to have had it because we weren't always Bitcoin SV fund and getting bad feelings from a lot of entrepreneurs we were dealing with I think saved us a lot of money.

Charles Miller [00:30:31] Right. I saw on your web site that you talk about your own ideals and wanting to create a freer world. How do you how does Bitcoin SV fit into that?

[00:30:43] For me, the reason I think BSV will help build a better world is there's two assumptions. The first is that Bitcoin SV accelerates competition and accelerates the ability for people to engage in trade. And I think those things get us where we're going faster per se. Now where you're going might be more a product of your values. But I also think that values compete but on a different kind of timeline. And so I don't think that Bitcoin SV creates a moral society, you know, from the get go, but I do think Bitcoin SV helps accelerate that other timeline as well. And I do think that better morality is a competitive advantage in the long run. And so I think getting where we're going faster is a very good thing to be doing if that assumption holds, which I very much believe it does.

Charles Miller [00:31:55] Fantastic. Thank you very much Jackson. And you've also recorded a lovely piece to end us with. So would you like to just introduce that?

Jackson Laskey [00:32:05] Yes. You know, another differentiator of Bitcoin SV is making a very concerted effort to stay within current legal frameworks. So I felt it was only appropriate to end with Ain't' Misbehaving.

Jackson Laskey [00:32:19] Thank you very much indeed.